

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7156

BILL NUMBER: SB 208

NOTE PREPARED: Jan 17, 2007

BILL AMENDED:

SUBJECT: Prior Authorization for Nursing Home Admissions.

FIRST AUTHOR: Sen. Dillon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires an individual to receive prior approval from the Office of Medicaid Policy and Planning (OMPP) before being admitted to a nursing facility under certain circumstances. The bill repeals a provision that establishes a temporary penalty for not participating in preadmission screening before entering a skilled health facility.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill would require that a Medicaid-eligible person being discharged from a hospital to a nursing facility must have prior approval from OMPP before being admitted to the nursing facility. Prior approval would be required in addition to participation in the nursing facility Pre-Admission Screening program (PAS). If prior approval is not received before admission to the nursing facility, the individual would not be eligible for Medicaid nursing facility cost per diem benefits for one year after admission. This bill could result in cost savings for the state and improved quality of life for individuals diverted from avoidable nursing facility admissions.

OMPP has estimated that 10% of individuals who might otherwise be admitted to nursing facilities directly from a hospital could be diverted to home- and community-based services by requiring prior approval. OMPP estimated that if 81 individuals can be diverted, approximately \$3.3 M of total nursing facility cost (\$1.2 M state share) could be avoided in the Medicaid program. This estimate does not include the offsetting cost of home-care waiver services that would be provided for diverted individuals. However, by definition, waiver services may cost no more in the aggregate, than the placements in nursing facilities.

OMPP would contract for prior approval services. The cost of the contract does not appear to be included

in the estimated savings.

The Medicaid program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues: County-owned nursing facilities might experience a minor reduction in admissions.

State Agencies Affected: Division of Aging and OMPP, Family and Social Services Administration.

Local Agencies Affected: Local county-owned nursing facilities.

Information Sources: Division of Aging, Family and Social Services Administration.

Fiscal Analyst: Kathy Norris, 317-234-1360.